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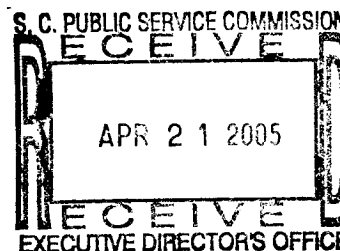
Coleman F. Buckhouse, MD

OFFICE OF GENERAL COUNSEL

TEL.:(803)898-3349 FAX:(803)898-3367

April 20, 2005

The Honorable Charles L. A. Terreni
Chief Clerk/Administrator
SC Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211



Re: Docket No.: 2004-357-WS

**Carolina Water Services, Inc., Application for Adjustment of Rates and Charges
and Modification of Certain Terms and Conditions for the Provision of Water
and Sewer Service**

Dear Mr. Terreni:

Please find enclosed for filing the original and twenty-five (25) copies of the South Carolina Department of Health and Environmental Control's *Prefiled Direct Testimony of Jeffrey P. deBessonnet* along with a *Certificate of Service* in the above-referenced case.

Please date-stamp the one extra copy for our office and return in the enclosed self-addressed stamped envelope provided.

By copy of this letter, I am serving the necessary parties. Thank you for your assistance in this matter.

Sincerely,


Jessica J. O. King
Attorney for DHEC

Enclosures

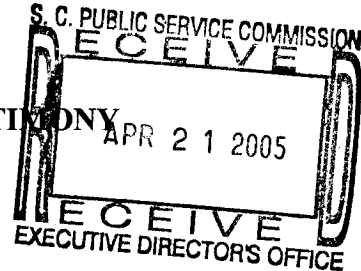
cc: Florence Belser, Esq.
C. Lessie Hammonds, Esq.
John Hoefer, Esq.
Scott A. Elliott, Esq.
Jeff deBessonnet, BW

STATE OF SOUTH CAROLINA
BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 2004-357-W/S

Carolina Water Service, Inc. –)
Application for Adjustment of Rates)
And Charges and Modification of)
Certain Terms and Conditions for)
the Provision of Water and Sewer)
Service)
_____)

PREFILED TESTIMONY



TESTIMONY OF JEFFREY P. DEBESSONET

The South Carolina Department of Health and Environmental Control ("DHEC") submits the following testimony pursuant to 26 S.C. Regs. 103-869(c)(Supp. 2004). The witness named above will be present at the hearing of this matter and, if placed under oath and asked the following questions, would answer as follows:

1. Please state your name and where you work.

A: My name is Jeffrey P. deBessonnet and I am employed by the South Carolina Department of Health and Environmental Control (DHEC). I have worked at DHEC for 20 years, with the last 14 as director of DHEC's domestic wastewater permitting program. In this capacity I am responsible for issuance of National Pollutant Discharge Elimination System (NPDES) permits in accordance with state and federal laws, among other things.

2. What is your education background?

A: I have a bachelors degree in engineering from Louisiana State University.

3. Do you hold any professional licenses or certifications?

A: I am a registered engineer in the state of South Carolina.

3. What is the purpose of your testimony in this case?

A: My testimony will outline DHEC's interest in this Carolina Water Service rate case. Specifically, I will outline how the current and proposed rate system creates a barrier to Carolina Water Service complying with a condition in some of CWS's NPDES permits.

4. What specifically are DHEC's concerns?

A: There is a provision in rate system which limits CWS to passing on bulk wastewater charges from a regional sewer system provider to only the affected customers. For example, the Watergate wastewater treatment system has a condition which requires the treatment plant to be eliminated by connecting its collection system to the regional sewer system. In this situation, CWS would be authorized to charge a “collection only” charge to its Watergate customers. In addition, the bulk wastewater treatment charge from the regional sewer provider would be passed to the Watergate customers only. CWS is and would be prohibited from the entire CWS customer base (statewide) from bearing that cost. The PSC has already denied such a proposal by CWS because the subsequent rates were considered excessive. When such a denial occurs (which has happened in more than one situation in recent years), CWS is in violation of its NPDES permit and the federal Clean Water Act.

5. Where in the application that is currently in front of the PSC is there a provision which so requires CWS to pass on bulk wastewater charges from a regional sewer system provider to only the affected customers?

A: It is under the “Sewer” section of the proposed rate schedule submitted by CWS with its December 2004 application. Specifically, it can be found on page 5 of Exhibit A of CWS’s application filed in December of 2004. It states: *“The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility’s affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility’s affected customers on a pro rata basis, without markup.”*

6. How does this differ from the way repair costs to a single facility are allocated under the proposed rate structure?

A: If one of the dozen CWS facilities needs to be repaired, all CWS customers across the State bear that burden under the proposed rate structure. Again this is different than costs for connection to a regional system because under the proposed rate structure, if one facility needs to connect to a regional system, the “bulk” charges every month only are shouldered by the one facility that is connecting (instead of all the customers across the State). That would mean that the customers of that one system have a big rate hike (while others stay the same).

7. What is the basis for some NPDES permits to have a requirement to eliminate a discharge by connection to a regional sewer system?

A: The federal Clean Water Act authorizes regional wastewater planning processes, pursuant to Section 208 of the Act. Such planning processes identify certain facilities as permanent facilities and others to be eliminated. Subsequently, EPA and delegated states (such as South Carolina's DHEC) must not issue permits that would conflict with those regional plans (i.e., 208 Plans). DHEC, therefore, requires applicable NPDES permits to connect to regional sewer systems because the 208 requires that discharge to be eliminated.

8. Do all wastewater treatment systems have the same set of effluent limits and the same set of operating expenses?

A: Each system is unique. Effluent limits are set to match the specific needs of the water body it discharges to. As well, there is a lot of variety in treatment systems built to meet permit conditions. For example, lagoon systems such as the I-20 wastewater system is a simple system to operate. In contrast, the Kings Grant system employs an activated sludge treatment system which is more complex and more expensive to operate.

9. What is the relevance of the variety of treatment expenses at CWS systems across the State?

A: CWS has a flat rate for collection and treatment charges. This means that rates at higher cost systems are already being subsidized by the customers at lower cost systems. As well, customers that contribute small quantities of wastewater (e.g., small families) subsidize customers that contribute larger quantities of wastewater (e.g., large families).

10. In Paragraph 11 of its application for the rate increase at issue here, CWS states that the proposed increase "...is necessary to comply with standards and regulations set by DHEC and other governmental agencies which regulate the environmental aspects of Applicant's business." Will the rate increase at issue here ensure compliance with standards and regulations set by DHEC as so stated by CWS?

A: No. DHEC believes that the current and proposed rate structure can cause (and has caused in the past) CWS to be in violation of its permit requirements to eliminate its discharge to a regional sewer provider, as applicable. To the extent that the PSC would deny a bulk sewer arrangement (because of rate shock), DHEC finds that such actions impede its ability to insure compliance with the provisions of the Clean Water Act. DHEC does not object to CWS customers having a flat rate across its customer base and DHEC does not have an opinion regarding the proposed increase of rates CWS is requesting. DHEC does object to the rate system that does not allow for considering the possibility of passing on bulk treatment charges to its entire customer base in order to lower the cost of an individual facility complying with its NPDES permit. DHEC observes that the upgrade cost from one facility is effectively paid for by all customers across the state, however the bulk charges must only be passed to the

customers at the individual facility facing the elimination requirement.

11. What is DHEC's recommendation regarding the current rate case before the PSC?

A: DHEC recommends elimination of the language that restricts how CWS customers pay for bulk treatment charges.

12. Does this conclude your testimony?

A: Yes.

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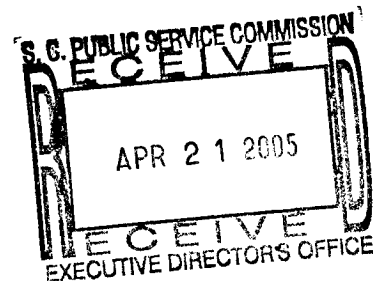
CERTIFICATE OF SERVICE

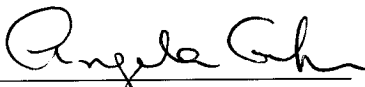
The undersigned for the South Carolina Department of Health and Environmental Control, ("DHEC"), states that she has on April 20, 2005, served upon the parties of record DHEC's *Prefiled Direct Testimony of Jeffrey P. deBessonnet* in the above-entitled case via first class mail with proper postage affixed as follows:

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Angela Gehr

Columbia, South Carolina
April 20, 2005